

Fairfax County Economic Index

Volume IV, Number 7

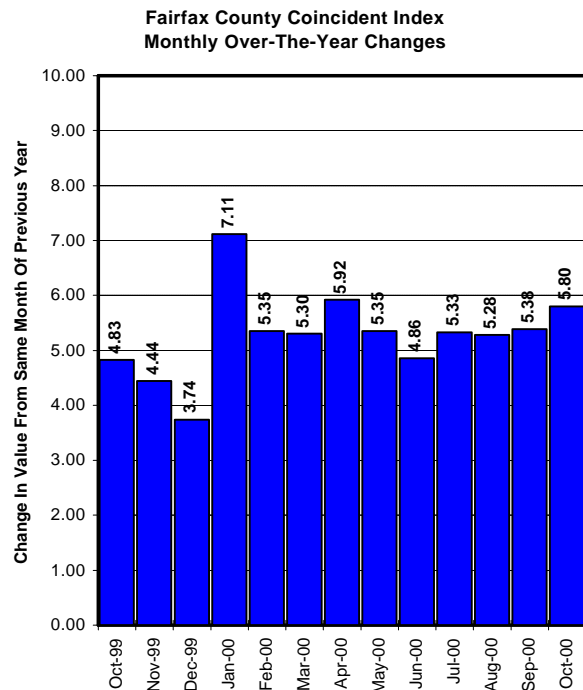
DECEMBER 2000

Economy Continues To Expand, Modest Deceleration Expected

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 128.06 in October, for a gain of 1.29 percent. This is the fourth consecutive monthly increase in the Index and its seventh gain in the first ten months of 2000. Year-to-date, the Coincident Index has increased 5.1 percent. The Index's growth trend remains well above its 12-month moving average, confirming the economy's continuing expansion. In October, two of the Index's four components were positive.

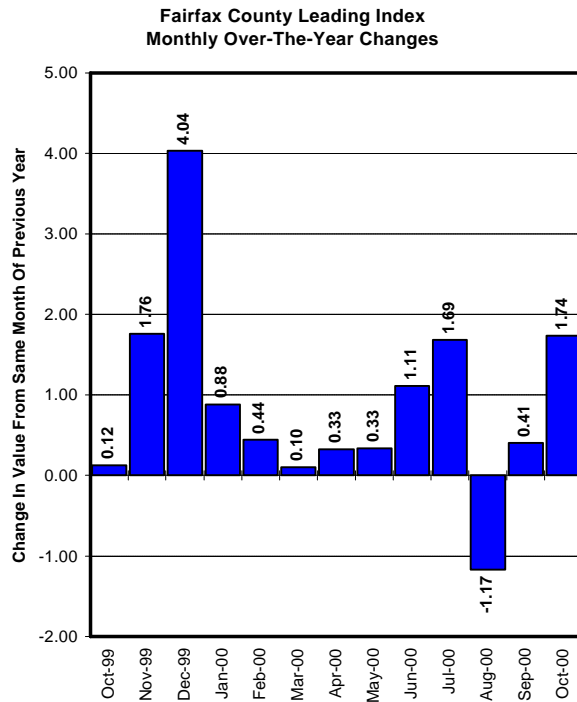
- Total employment grew in October for the fourth consecutive month; and,
- Sales tax collections, adjusted for inflation and seasonal variation, registered their strongest increase since March after experiencing a decline in September; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined in October and now have been down in five of the last six months; and,
- Consumer confidence fell after having gained on a revised basis in September.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to 12 months in advance, increased to 106.75 for a gain of



Source: Center for Regional Analysis, George Mason University

0.5 percent in October. The Leading Index has been up for two months after declining in August. Year-to-date, the Index has gained in five of the first ten months of 2000, but is down 1.9 percent over this period. As a result, the Leading Index is tracking lower than its historic trend line, pointing to a deceleration in the County's future rate of economic



Source: Center for Regional Analysis, George Mason University

growth. In October, three of the Index's five components contributed to its gain.

- New automobile registrations increased in October after declining in September;
- Residential building permits were up sharply registering their largest one-month gain since December 1999; and,
- The total value of residential building permits was up following decreases in the previous two months; while,
- Initial claims for unemployment insurance increased (worsened) off-setting their decrease (improvement) in September; and,
- Consumer expectations (consumer confidence six months hence) declined for a second month.

The current performance of the Fairfax County economy continues to track its upward trend begun in early 1996 with monthly over-the-year gains falling within a remarkably narrow range averaging 5.4 percent. The strength of these monthly gains and their consistency over the year confirm the economy's vitality. The Leading Index

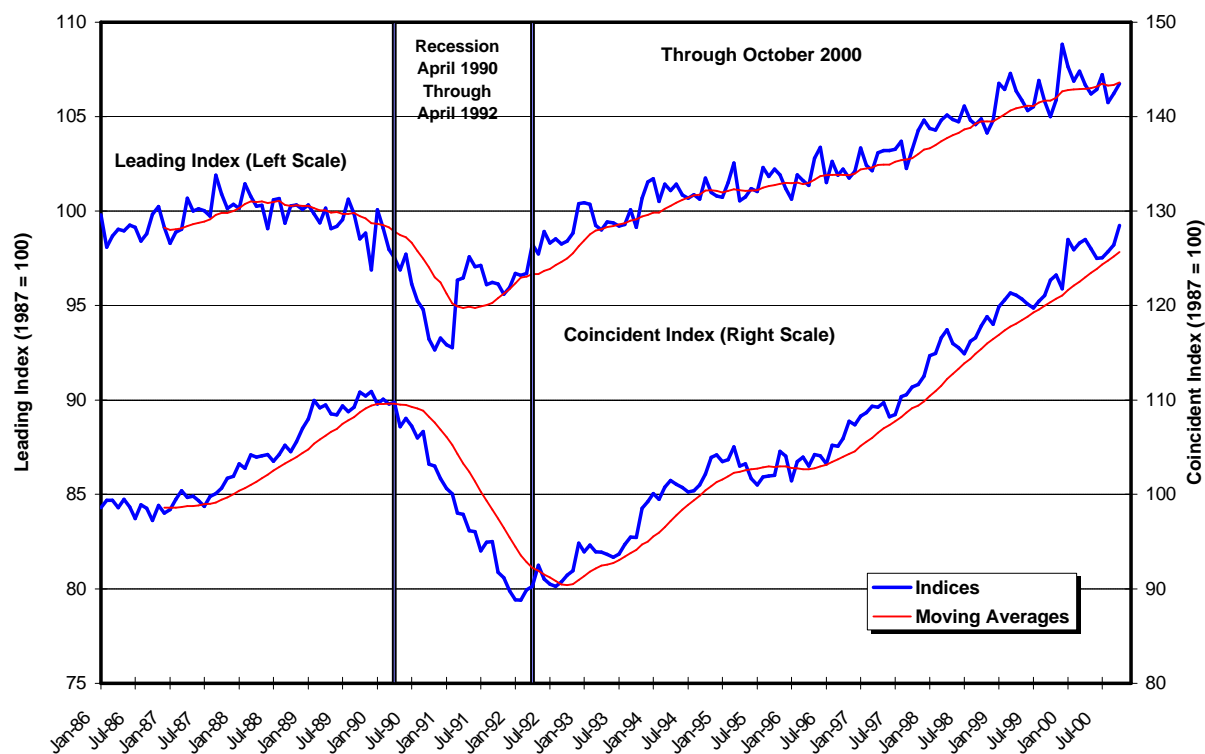
has experienced some moderate gains over the past two months after weakening during the second quarter and actually falling below its same-month 1999 level in August. These weaknesses are seen in a flatter trend line pointing to slower growth next year. Still, the strength of the County's economy should help to sustain its expansion well into the future and any slowing that may be experienced should be moderate.

CURRENT CONDITIONS

The two keys to the continuing health and growth of the Fairfax County economy are job creation and consumer spending. These measure the capacity of the County economy to generate additional income and output and its ability to support new business activity with resulting job and income growth. In October, the County economy had its greatest job gain for a 12-month period ending in more than a decade. From October 1999 to October 2000, the County's job base increased by 27,583 new jobs for a 5.4 percent gain. This job increase comes at a time when job generation in the Washington metropolitan area was adding 76,900 jobs for a 2.9 percent gain, a rate slightly below its year-to-date trend; Fairfax County's job gain accounted for 35.9 percent of this total.

Consumer spending, as measured by sales tax receipts, has been slowing in response to weakening consumer confidence, and growing uncertainties in financial markets and more broadly in the general economy. In October, retail spending nationally registered a monthly over-the-year gain of 5.6 percent, about one-half the average rate achieved in 1999. This compares to a 6.8 percent in sales tax receipts in Fairfax County. Auto sales, which had been trending lower in recent months, grew in October and, over the last 12 months, are up 6.0 percent. While consumer spending continues to increase in Fairfax County, it is growing at a slower rate than in 1999. With consumer confidence and consumer expectations slipping since mid-year, it is likely that consumer spending increases will remain moderate over the remainder of this year. And, with slower job and income growth projected for 2001, consumer spending is expected to remain soft as well.

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

NEAR-TERM OUTLOOK

While job growth and consumer spending in October show the economy to have strengthened since the summer, there are indications that the economy is slowly decelerating. These signs are more visible at the national level, where the National Leading Index has drifted lower from its March peak, dropping 0.6 percent over the past six months, and the majority of leading indicators were down in October. At the County level, the Leading Index also has trended lower since December 1999, and while it has gained 1.6 percent over the last 12 months, its growth rate is well off the 4.4 percent pace of the Coincident Index.

A contributing factor to the County's slower economic growth in coming months is the shortage of qualified workers to fill the large number of new jobs the local economy is generating. This has been a persistent problem with unemployment ranging down to 1.4 percent and labor force growing at 1.7 percent. These labor market conditions have

constrained job growth and resulted in higher labor costs and lower profits.

While the Fairfax County economy remains fundamentally sound, its future will be impacted by less favorable external economic conditions as well as shortages and other distortions resulting from the County's rapid growth sustained now for almost five full years. These constraints should be reflected in slowing job and income growth over the coming year. Slower income growth, combined with continuing high energy prices that have reduced the level of disposable income consumers have available to support retail sales, growing uncertainty in financial markets, and a weaker overall economy should yield slower growth in consumer spending. The slowing of the Leading Index does not point to negative growth but rather a modest deceleration in the growth rate going forward.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Oct-00 Prelim.	Sep-00 Final	Oct-99 Final	Sep-00 to Oct-00	Oct-99 to Oct-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	128.06	126.43	122.67	1.29	4.39
Leading Index (1987 = 100)	106.75	106.22	105.01	0.50	1.65
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	540,634	534,916	513,051	1.07	5.38
<i>Total Covered Employment (Unadjusted)</i>	<i>539,045</i>	<i>535,901</i>	<i>511,543</i>	<i>0.59</i>	<i>5.38</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	312	321	298	-2.74	4.55
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>517</i>	<i>568</i>	<i>474</i>	<i>-8.84</i>	<i>9.16</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,187	8,429	8,799	8.99	4.41
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,220</i>	<i>11,038</i>	<i>10,502</i>	<i>1.65</i>	<i>6.84</i>
South Atlantic Consumer Confidence	189	190	183	-0.58	3.33
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,686	6,038	6,308	10.74	6.00
<i>Automobile Registrations (Unadjusted)</i>	<i>6,434</i>	<i>6,866</i>	<i>6,070</i>	<i>-6.29</i>	<i>6.00</i>
Initial Unemployment Claims (Seasonally Adjusted)	649	505	636	28.49	2.05
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>597</i>	<i>423</i>	<i>585</i>	<i>41.13</i>	<i>2.05</i>
South Atlantic Consumer Expectations	113.1	122.1	113.4	-7.37	-0.26
Residential Building Permits (Number of Units, Seasonally Adjusted)	667	309	330	116.01	101.67
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>724</i>	<i>331</i>	<i>359</i>	<i>118.73</i>	<i>101.67</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	33,867	25,044	25,933	35.23	30.60
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>56,107</i>	<i>40,044</i>	<i>41,146</i>	<i>40.11</i>	<i>36.36</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	555,695	557,257	546,396	-0.28	1.70
<i>Total Labor Force (Unadjusted)</i>	<i>557,907</i>	<i>556,365</i>	<i>548,571</i>	<i>0.28</i>	<i>1.70</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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